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SUBJECT: TOURISM PROJECTS PROLIFERATE

REF: MUSCAT 1191

SUMMARY AND COMMENT

[1](#)1. (U) With Oman aggressively marketing itself as an environmentally conscious tourist destination, international investors are taking advantage of significant improvements in local infrastructure to develop ambitious new tourist projects. U.S. construction and financial firms are joining a slew of regional and international consortiums that seek to capitalize on the region's annual 6.5 percent growth as a tourist destination. Investors hope to lure 3 million visitors annually with resorts like the \$800 million Wave, the \$160 million Bar al-Jissah Resort and Spa, and the massive \$15 billion Blue City development just north of Muscat.

[1](#)2. (SBU) One of the Sultan's economic advisors has told us of HM's encouragement of GCC investment in Oman's fledgling tourism industry. Eyeing the explosive economic activity in neighboring Dubai, the Omanis feel a need to tap into, on their own terms, some of the monies flowing into the region. Concurrent with declining oil production, a demographic profile that commands more employment opportunities for Omani youth, the massive industrial investment (led by the U.S.) in Sohar and the expansion and development of Salalah port in the south, this focus on tourism underscores Oman's desire and pressing need to invest in a non-petroleum-based industry in order to continue its development and modernization. End summary and comment.

Why Oman?

[1](#)3. (U) Oman, the "hidden gem" of Arabia, is well positioned to assume a larger share of the \$72 billion tourism industry in the Middle East. While Oman has neither the strong archeological draw of Egypt or Jordan, nor the Hong Kong-like buzz of Dubai, Arabia's third largest country's comparative advantage is its spectacular and varied scenery, its relaxed atmosphere, strong tradition of hospitality, and a leg up on environmental tourism, from turtle and whale watching to mountain hiking and caving. In 2004, Oman welcomed 1.5 million tourists, generating revenues of \$284 million. Through aggressive marketing campaigns and improved infrastructure, Oman hopes to increase the industry's meager 1 percent contribution to GDP to 3 percent, and to welcome over 3 million visitors annually by 2010. The Omani government estimates that the tourism sector could eventually create over 114,000 jobs. To achieve these ambitious figures, the Ministry of Tourism has allocated \$30 million for internationally marketing the country through 2005.

Projects in the Works

[1](#)4. (U) Capitalizing on the region's emergence as a popular tourist destination (6.5 percent annual growth rate), investors have embarked on the following:

-- Bar al-Jissah Resort and Spa: Slated to open this December and aimed at groups that want an all-inclusive facility, this complex is part of the Hong Kong-based Shangri-La Hotels and Resorts chain with local investment from the Zubair Corporation and the Omani government. US-based Turner Construction International managed the construction phase. The secluded \$160 million resort, straddling unspoiled coastline just east of Muscat's 5-star Al-Bustan Hotel, will offer 680 rooms in 3 hotels on 124 acres with a private beach, spa, swimming pools, 5 tennis courts, and a dive center.

-- The Wave: The initial installation of utilities and roads is just beginning for this a \$800 million tourism and residential development project near Seeb International Airport. A joint venture between local, regional, and

international private investors and the Omani government, the Wave will stretch 7.3 kilometers along the beach and will include 1,200 rooms in four hotels, restaurants, shops, and Oman's first world-class golf course. Residential units to be constructed in this project are slated to become the first properties open to foreign (non-GCC) free-hold purchase in the Sultanate, with this project having been designated a special tourist zone under a law enacted in 2004. US-based Turner Construction International is the project and construction manager for Phase I.

--Al Madina al-Zarqa (The Blue City): The Omanis announced this \$15 billion new urban development with great fanfare in June 2005. The al-Sawadi Investment and Tourism Company ASIT) is in charge of this massive tourism project. ASIT appointed Swiss-based financing firm Oppenheimer & Co. to raise the \$12-\$15 billion construction costs; Oppenheimer in turn appointed US-based investment bank Bear Stearns to act as the bond placement agent. Other investors include the Omani company Cyclone LLC, an investor from Bahrain, and Middle East Holdings. To be developed over several phases in the next 10-15 years, the Blue City will become home to more than 200,000 people and will include education, healthcare, sports and other necessary infrastructure. The first phase is projected to cost \$1.8 billion and will cover an 8-square kilometer area of beach that will include 3 beach hotels, 600 luxury villas, an Arabian-style tourist village, an aquarium, and an amphitheater. Anticipated to be completed by 2009, the resort is expected to generate around 7,000 direct jobs and over 25,000 indirect jobs in its first phase alone.

More to Come

15. (U) While The Wave, Bar al-Jissah, and the Blue City are all expected to have a significant impact both on tourism and on the U.S. commercial presence in Oman, other significant projects that are also underway include: a \$822-million Dubai-financed Yiti Luxury Resort near Muscat, a locally funded Mirbat Tourism Village in Dhofar, the Qatari-backed Ras al-Hadd Resort near the coastal town of Sur, and the Thailand-based Evason Hideaway Resort at Zighi Bay in the Musandam Peninsula.
BALTIMORE